**NORTH YORKSHIRE COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

**23 SEPTEMBER 2010**

# PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER AND YEAR ENDING 30 JUNE 2010

**Report of the Treasurer**

## 1.0 PURPOSE OF REPORT

1.1 To report the investment performance of the overall Fund, and of the individual Fund Managers, for the Quarter to 30 June 2010 and the twelve months ending on that same date.

## 2.0 PERFORMANCE REPORT

2.1 The report (**enclosed as a separate document**) produced by Mellon Analytical Solutions (MAS) provides a complete performance analysis of the North Yorkshire Pension Fund for the quarter and year ending 30 June 2010.

2.2 Using the format prepared by MAS the report highlights the performance of the total Fund by asset class against the customised Fund benchmark. In addition, there is an analysis of the performance of each manager against their specific benchmark and a comparison of performance levels over time.

2.3 Also enclosed as separate documents are the individual reports submitted by the fund managers, and the first Quarterly report of the newly appointed Investment Consultant (Hewitt).

## 3.0 PERFORMANCE OF THE FUND

3.1 The performance of the various managers against their benchmarks for the Quarter ended 30 June 2010 is detailed on **pages 4 / 5** of the MAS report. This performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.

3.2 **The absolute overall return for the quarter (- 9.7%) was below the customised benchmark (- 7.3%) by 2.4%.**

3.3 **Over the rolling year the Fund performance was + 1.2% above the customised benchmark. The 12 month absolute return of + 22.5% is a significant decrease compared to the figure for the 12 months ended 31 March 2010 (+ 56.7%).**

3.4 These figures represent a dip in performance after a sustained period of outperformance of the Fund relative to its aggregate benchmark since April 2009. Manager performance was mixed but the negative relative return at Fund level was driven by significant underperformance by two managers. Markets recovered well in the year to 31 March 2010 but in the following quarter fell back significantly (FTSE 100 down 15%) within this changeable environment. It is still essential to try and understand, and assess,

- the potential for further turbulence in the financial markets
- the ongoing appropriateness of the investment strategy of the Fund (which was designed to operate in “normal” financial market conditions)
- the performance of individual fund managers in these unstable market conditions

It is also critical to understand the timescale over which any or all of these factors may impact on the future performance of the Fund.

3.5 With this in mind the tables/Appendices used in this report have been designed to present a fuller picture of the reasons behind the recent investment performance.

3.6 The content of these tables/Appendices is now as follows.

| | |
|---|---|
| **Table in paragraph 4.1** | A table that summarises the performance of individual managers over the last four consecutive quarters relative to their specific benchmark. The figures are expressed on a quarterly and rolling 12 months (ending in that quarter) basis. Also included is an indicative figure for the +/- impact (ie £m) that the performance of the manager has had on the Fund, relative to the benchmark, for the year to 30 June 2010. |
| **Appendix 1** | Performance of NYPF relative to other LGPS Funds |
| **Appendix 2** | Solvency position (in % and £ terms) since the 2001 Triennial Valuation; this Appendix also shows in absolute terms the +/- in the value of assets and liabilities of the Fund |
| **Appendix 3** | Solvency graph – this shows the key figures from **Appendix 2** in a simple graphical format |
| **Appendix 4** | Comparison of actual Fund performance as against the notional Least Risk Portfolio |
| **Appendix 5** | Relative movements of investment performance relative to the Least Risk Portfolio and the Solvency level |
| **Appendix 6** | A chart showing the monthly currency hedge cash flows since hedging started in December 2006. |
| **Appendix 7** | Details of Rebalancing @ 30 June 2010 |

3.8 The separate reports of the Investment Adviser and Investment Consultant explain what has been happening in the financial markets, and what may happen in the future, both short, medium and longer term.

## 4.0 **ANALYSIS OF THE PERFORMANCE OF INDIVIDUAL MANAGERS**

4.1 The quarterly and annual returns for each manager relative to their particular benchmark were:

| | % relative returns for the quarter ended | | | | % rolling relative returns for the year ended | | | | Annual performance related funding change for the year to 30.06.10 relative to the benchmark £m | Explanatory text |
|---|---|---|---|---|---|---|---|---|---|---|
| | 30.09.09 | 31.12.09 | 31.03.10 | 30.06.10 | 30.09.09 | 31.12.09 | 31.03.10 | 30.06.10 | | |
| **Global Equity Managers** | | | | | | | | | | see report of Investment Adviser and reports submitted by individual fund managers |
| Baillie Gifford Global Equities | 1.5 | 1.8 | 1.0 | 1.0 | 2.3 | 9.3 | 7.8 | 6.3 | 11.9 | |
| Baillie Gifford LTGG | 0.4 | 1.8 | 0.1 | 0.2 | 5.2 | 15.8 | 5.8 | 2.9 | 3.5 | |
| **Global (ex-UK) Equity Managers** | | | | | | | | | | |
| Fidelity | (1.3) | (0.5) | (0.5) | 0.8 | (1.4) | (2.2) | (3.6) | (1.3) | (3.8) | |
| **UK Equity Managers** | | | | | | | | | | |
| Standard Life Investments | 9.9 | (2.4) | 1.2 | (8.8) | 5.0 | 5.2 | 15.9 | (4.7) | (14.3) | |
| Yorkshire & Humber Equity Fund | (22.4) | (5.5) | (6.4) | 11.8 | (10.8) | (30.1) | (52.3) | (21.1) | (0.4) | |
| **Equity Sub-Total (a)** | 3.0 | (0.3) | 2.9 | (2.5) | 2.0 | 3.8 | 8.5 | (0.2) | (3.1) | |
| **Global Fixed Income Managers** | | | | | | | | | | |
| European Credit Management | 21.1 | 5.8 | 7.9 | (5.6) | (22.9) | 36.9 | 76.7 | 31.5 | 24.9 | |
| Amundi Asset Management | 4.2 | 1.3 | 2.6 | (0.5) | 10.8 | 8.4 | 10.7 | 8.1 | 13.6 | |
| **Fixed Income Sub-Total (b)** | 9.4 | 2.8 | 4.5 | (2.5) | (7.8) | 4.5 | 29.7 | 16.9 | 38.5 | |
| **Private Equity** | | | | | | | | | | |
| R C Brown | (3.6) | (1.6) | 0.2 | 3.7 | 0.8 | 8.6 | 4.3 | (0.1) | - | |
| **Total Fund excl cash (a+b+c)** | 4.5 | 0.4 | 2.6 | (2.5) | (2.9) | 4.0 | 15.6 | 3.5 | 35.4 | |

4.2 In monetary terms the negative absolute return of – 9.7% in the Quarter decreased the invested value of the Fund by £130m, however taking into account new money, the value of the Fund decreased by £126m. In absolute terms this movement is primarily attributable to capital losses made by Standard Life (£57m), Baillie Gifford (£36m) and Fidelity (£37m).

4.3 Negative absolute performance was suffered by most managers and relative performance was mixed. The effects of the exceptional market conditions had been gradually subsiding but the recent falls in markets across the world appeared to have caught some managers by surprise. This and other issues are further discussed in the report of the Investment Adviser.

**Overseas Equities**

4.4 **Fidelity** produced a modest but welcome positive relative return in the quarter (to +0.8%). Although the fund fell by 10.6% in absolute terms this was still good news, following on as it did from four successive quarters of underperformance. For the year to June 2010 and since inception performance remains behind the benchmark by 1.3% and 0.7% respectively.

Positive relative performance was produced in all four regions (North America, Europe (ex UK), Asia Pacific, Emerging Markets) with the highest contributions coming from the materials and industrials sectors. An underweight holding in Energy helped avoid the worst of the fall out from the BP oil spill.

4.5 The two **Baillie Gifford** Funds again produced positive relative returns for the sixth quarter in succession reversing the losses suffered in the financial year 2008/09. The one year return for the LTGG fund was above the benchmark by 0.2% and for the Global Equity fund by 1%.

4.6 Despite deficit reduction programmes being put in place across Europe in the quarter which constrained economic growth in the short term, Baillie Gifford has held its nerve. Transaction volumes were low but several key investment decisions helped it to keep ahead of the benchmark.

**UK Equities**

4.7 **Standard Life** produced a very poor relative return (- 8.8%) in the quarter against a FTSE 350 equally weighted benchmark negative return of – 7.4%. The FTSE All share produced a negative return of – 11.8%. After a period of outstanding performance since March 2009 fuelled by a strong recovery in world markets this is a disappointing reversal. Doubts over the sustainability of the global economic recovery weighed heavily on UK equities during the quarter. The BP oil spill was a key negative impact on the return with the prospect of extensive litigation and clean up costs. Overweight positions in commodities, which suffered during the quarter, exacerbated losses.

4.8 The ethical equity portfolio operated by **R C Brown** outperformed (+ 3.7%) and was slightly negative over the rolling 12 month period (- 0.1%).

**Fixed Income**

4.9 **ECM's** recovery faltered after four quarters in a row of strong performance, returning – 5.6% against the benchmark. Volatility in mark to market valuations caused by illiquidity in the markets and exposure to financials were the main reasons for this.

4.10 Between July 2005 and May 2007 NYPF invested £125m with ECM. The valuation reached a peak of £141m in December 2007, dropped to a low point of £58m in February 2009, and by the end of June 2010 stood at £104m. The 31 August 2010 valuation was £109m, £16m less than the invested amount.

4.11 Some market commentators have drawn parallels with the lack of liquidity in late 2008 and early 2009, however circumstances are now very different. Company fundamentals are much improved, leverage in the system is significantly lower, exposures in the banking system are far more transparent and levels of capitalisation have increased, and defaults experienced in 2009 were very much less than feared.

4.12 **Amundi** dipped below the benchmark by 0.5% in the quarter, however, performance over the last 12 months has been excellent at + 14.2%, ahead of the benchmark by 8.1%.

4.13 Although global bond markets advanced over the quarter the underperformance was driven by a reduction in exposure to Greek bonds following the downgrading by Moody's to sub-investment grade. Long positions in corporate credit also contributed negatively but this was matched by positive returns from currency positions.

4.14 These results give a combined relative performance in global fixed income of – 2.5% in the quarter.

**Performance relative to other LGPS Funds**

4.15 **Appendix 1** shows the **performance of NYPF relative to other Funds in the LGPS universe.** Performance slipped below the Local Authority benchmark in the quarter. This followed 12 months of outperformance and a very testing period in Q3 and Q4 of 2008. NYPF has shown a strong and consistent correlation to the performance of other LGPS funds over the last 10 years in almost every quarter. The Fund was the top performing Local Authority in the country for the year to March 2010. Results for the June quarter are not yet available.

## 5.0 RISK INDICATORS

5.1 As reported to the May 2010 PFC meeting, the Mellon Performance Report (**pages 12 and 13**) includes three long-term risk indicators.

5.2 The Fund's annualised **Standard Deviation** for the rolling three year period to March 2010 (22%) remains significantly higher than the average over the three year period to June 2009 (16.9%). This shows an unprecedented level of volatility of the Fund's return which is not surprising given the recent market conditions.

5.3 The **Tracking Error** figure is a consolidation of the difference between each Fund Manager's actual return versus their respective benchmark. The unprecedented increase since the middle of 2008 in this measure reflects huge market volatility and the most difficult financial market environment ever to face the Fund (and its investment managers).

5.4 The **Information Ratio** is a measure of manager skill and has been volatile over recent years. The figure has fallen to a negative number which reflects the level of under-performance in the three year period to June 2010 by most managers, essentially due to a poor 2008.

## 6.0 SOLVENCY

6.1 The **solvency position** is presented in **Appendices 2 and 3**. The figures from 31 March 2007 have been restated in line with the figures presented by the Actuary. As at 30 June 2010 the estimated solvency had decreased in the last quarter from 58% to 56%.

6.2 The assets of the Fund decreased by 9.7% in the Quarter (including new money), whilst liabilities (as modelled by the Actuary), decreased by 6.3% hence the 2% deterioration in solvency in the Quarter. Yields on long-dated gilts are used as the proxy discount rate to value liabilities, hence lower yields result in higher liability values and vice versa. The reduction in liabilities has been primarily due to the June 2010 Emergency Budget announcement by HM Treasury which confirmed that from April 2011 increases in pensions will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

6.3 The relative position, over time, between liabilities and assets is shown very clearly in **Appendix 3** which is a simple graph using data from **Appendix 2**. It is clear from this graph that

(a) "liability growth" was matched by "asset growth" for the period March 2004 to March 2007 (hence the steady improvement in solvency from 59% to 67% over that period)

(b) from March 2007 to March 2009 "liability value" accelerated and "asset value" fell which has had

(c) a significant and consequential impact on solvency – there is a point where the asset and deficit lines cross - this is effectively the 50% funding point

(d) during 2009/10 changes in assumptions on inflation and bond yields have resulted in no overall change in the valuation of liabilities whilst asset values have improved since March 2009

(e) since April 2010 the fall in asset values has been broadly offset by a reduction in liabilities resulting from pensions increases being linked to CPI rather than RPI.

6.4 What this analysis illustrates very clearly is that the Fund has no control over "liability growth" because it is effectively generated by market conditions, actuarial assumptions and political decisions. The Fund must therefore concentrate on the performance of its assets.

6.5 The table at **Appendix 4** is an ongoing **comparison of Fund performance as against the Least Risk Portfolio**. This shows that the latest total 3 year annualised return has now under-performed the Least Risk portfolio by 13.5% pa which compares to 7.8% pa as at 31 March 2010.

6.6 The graphs at **Appendix 5** have been produced by MAS and they provide an insight into the impact of the relative movements of the assets and liabilities on the Fund's solvency position.

6.7 The graphs show that only where the Total Fund return (red line) exceeds the Least Risk Portfolio (LRP = proxy measure for the liabilities) plus the target outperformance assumption of 1.4% (blue line) does the solvency position (green line) improve.

6.8 An additional line has now been included (pink) to **Appendix 5** which is the revised investment target arising from the adoption of the Investment Offset in the 2007 Triennial Valuation. Again the aim is for the Total fund return (red) to exceed this target over the 3 year valuation period.

## 7.0 CURRENCY HEDGING

7.1 Attached as **Appendix 6** is a chart showing currency hedge cash flows since hedging started in December 2006.

7.2 Since the start of 2010 when the hedge was reduced to 25%, there has been a net cash outflow of £8.6m. This equates to a proportionate increase in the value of overseas equity investments of £34.4m over the same period due purely to foreign exchange movements.

## 8.0 REBALANCING

8.1 The latest round of rebalancing the Fund's assets took place in August 2010, based on the assets held at the end of the June quarter (**see Appendix 7**). A total of £9m was transferred to Fidelity and £8m to Standard Life, out of cash reserves.

## 9.0 PROXY VOTING

9.1 Enclosed as a separate document is the report from PIRC summarising the proxy voting activity in the period April to June 2010. This report covers the votes cast on behalf of NYPF at all relevant company AGM's in the period and includes an analysis of voting recommendations at selected meetings and responses to company engagement.

## 10.0 RECOMMENDATION

10.1 Members are asked to note the investment performance of the Fund for the Quarter and 12 months ending 30 June 2010.

JOHN MOORE
Treasurer

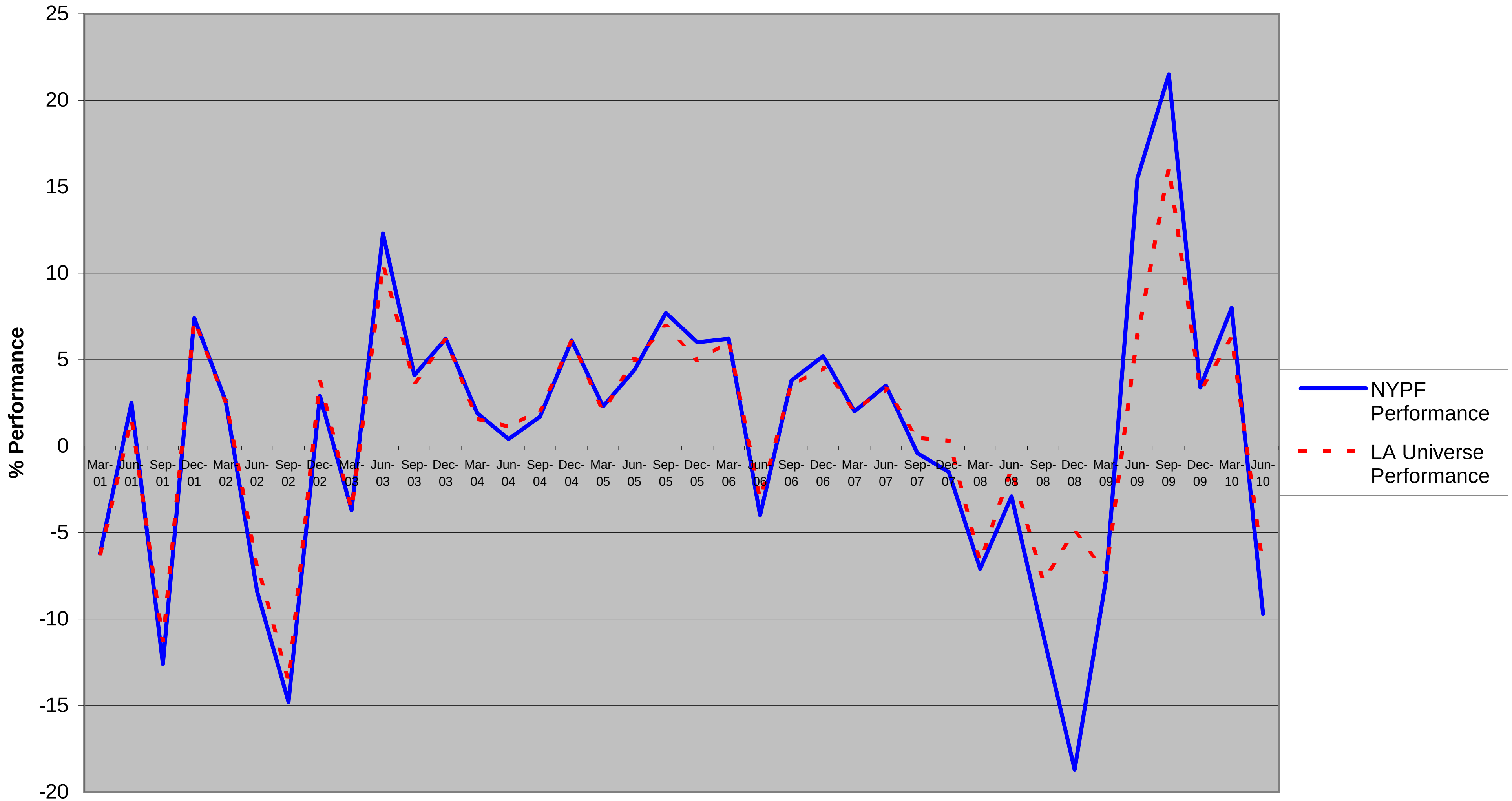
Finance and Central Services
County Hall
Northallerton

19 August 2010

**Background documents:** None

**APPENDIX 1**

## Pension Fund Performance - NYPF vs Other Local Authorities

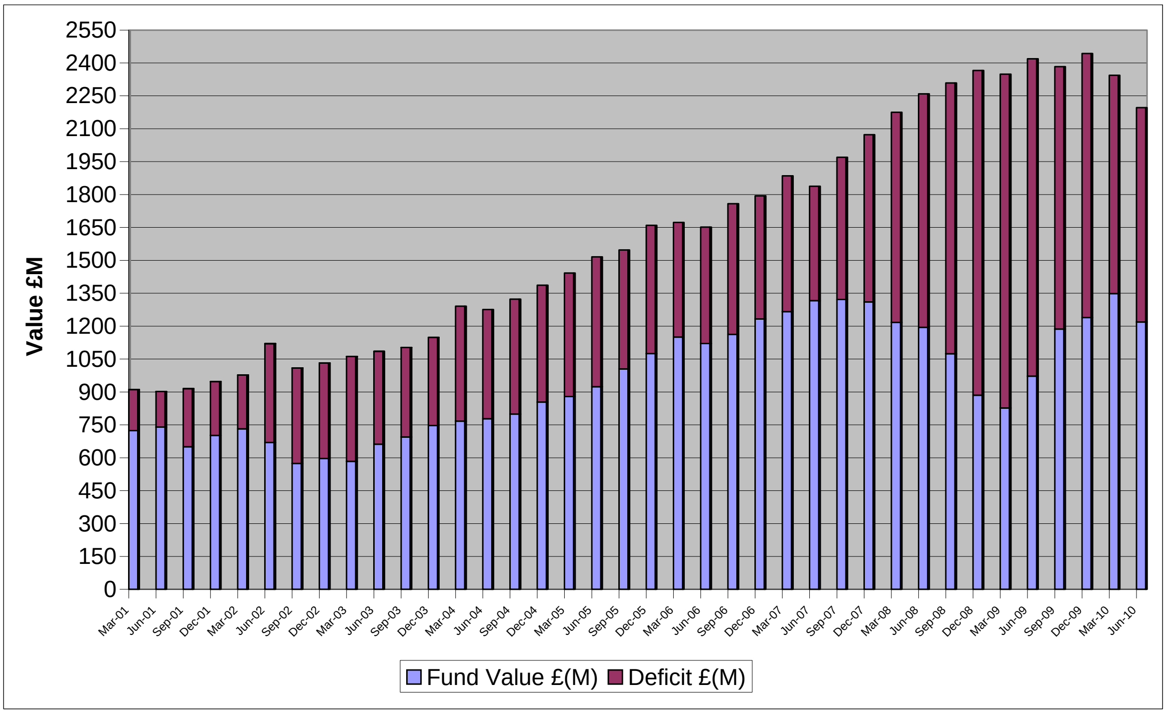


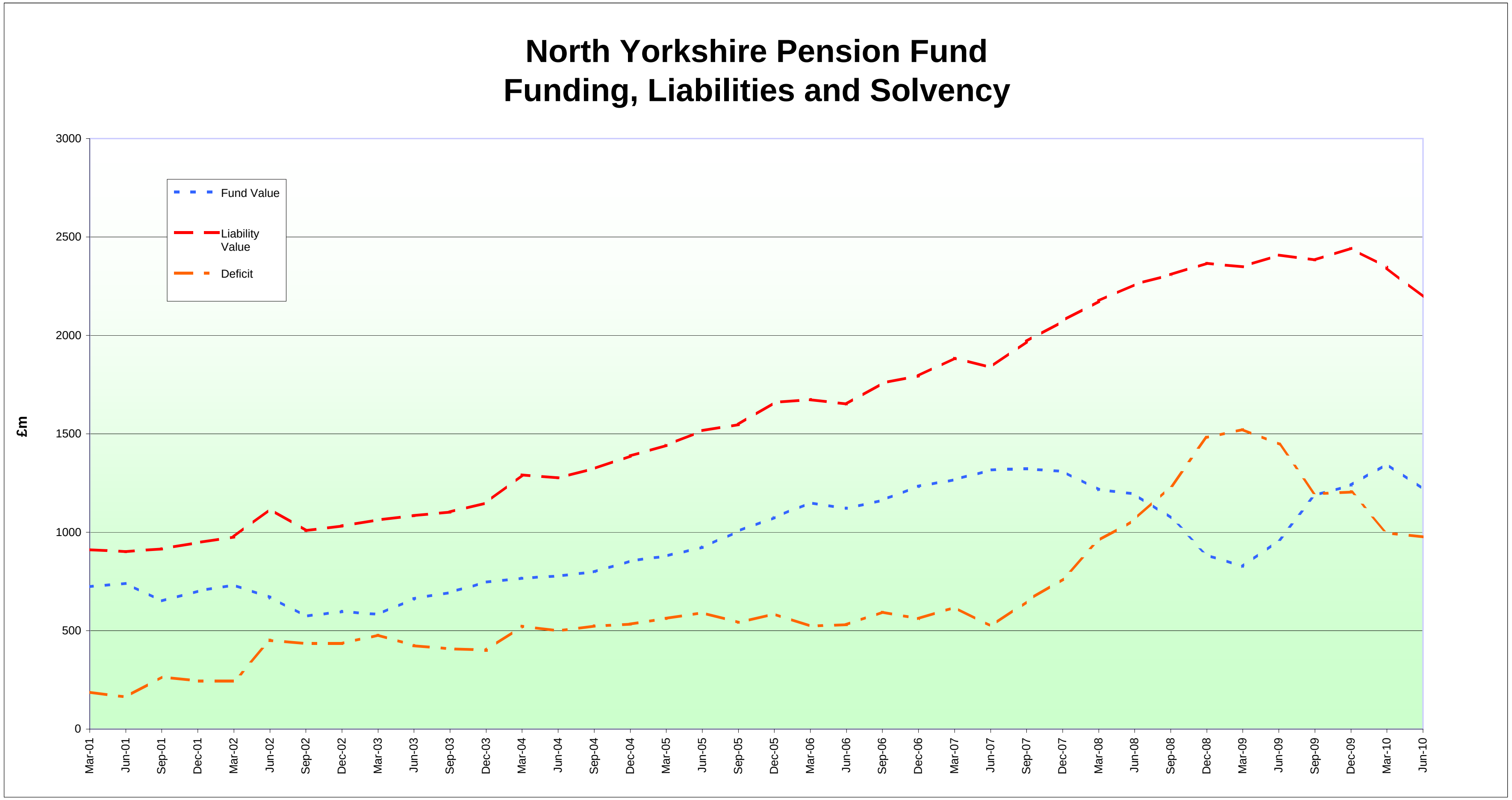
## Actuarial Model of Quarterly Solvency Position

| Date | Solvency | Deficit £(M) | Fund Value £(M) | FTSE 100 |
|---|---|---|---|---|
| March 31, 2001 | 79% | 187 | 724 | 5,634 |
| June 30, 2001 | 82% | 162 | 740 | 5,643 |
| September 30, 2001 | 71% | 265 | 650 | 4,903 |
| December 31, 2001 | 74% | 245 | 702 | 5,217 |
| March 31, 2002 | 75% | 245 | 732 | 5,272 |
| June 30, 2002 | 60% | 450 | 670 | 4,656 |
| September 30, 2002 | 56% | 435 | 574 | 3,722 |
| December 31, 2002 | 58% | 435 | 597 | 3,940 |
| March 31, 2003 | 55% | 478 | 584 | 3,613 |
| June 30, 2003 | 61% | 423 | 662 | 4,031 |
| September 30, 2003 | 63% | 408 | 695 | 4,091 |
| December 31, 2003 | 65% | 402 | 747 | 4,477 |
| March 31, 2004 | 59% | 524 | 767 | 4,386 |
| June 30, 2004 | 61% | 498 | 778 | 4,464 |
| September 30, 2004 | 60% | 524 | 799 | 4,571 |
| December 31, 2004 | 62% | 533 | 854 | 4,814 |
| March 31, 2005 | 61% | 563 | 879 | 4,894 |
| June 30, 2005 | 61% | 592 | 924 | 5,113 |
| September 30, 2005 | 65% | 542 | 1005 | 5,478 |
| December 31, 2005 | 65% | 585 | 1075 | 5,619 |
| March 31, 2006 | 69% | 523 | 1150 | 5,965 |
| June 30, 2006 | 68% | 531 | 1121 | 5,833 |
| September 30, 2006 | 66% | 595 | 1163 | 5,961 |
| December 31, 2006 | 69% | 561 | 1233 | 6,221 |
| March 31, 2007 | 67% | 619 | 1266 | 6,308 |
| June 30, 2007 | 72% | 522 | 1316 | 6,608 |
| September 30, 2007 | 67% | 648 | 1322 | 6,467 |
| December 31, 2007 | 63% | 763 | 1310 | 6,457 |
| March 31, 2008 | 56% | 958 | 1217 | 5,702 |
| June 30, 2008 | 53% | 1064 | 1195 | 5,625 |
| September 30, 2008 | 47% | 1235 | 1074 | 4,902 |
| December 31, 2008 | 37% | 1481 | 885 | 4,434 |
| March 31, 2009 | 35% | 1522 | 827 | 3,926 |
| June 30, 2009 | 40% | 1447 | 972 | 4,249 |
| September 30, 2009 | 50% | 1196 | 1187 | 5,134 |
| December 31, 2009 | 51% | 1204 | 1239 | 5,413 |
| March 31, 2010 | 58% | 996 | 1348 | 5,680 |
| June 30, 2010 | 56% | 977 | 1219 | 4,917 |

Triennial valuation results highlighted in grey

## Movement in Assets and Liabilities




North Yorkshire Pension Fund
Funding, Liabilities and Solvency
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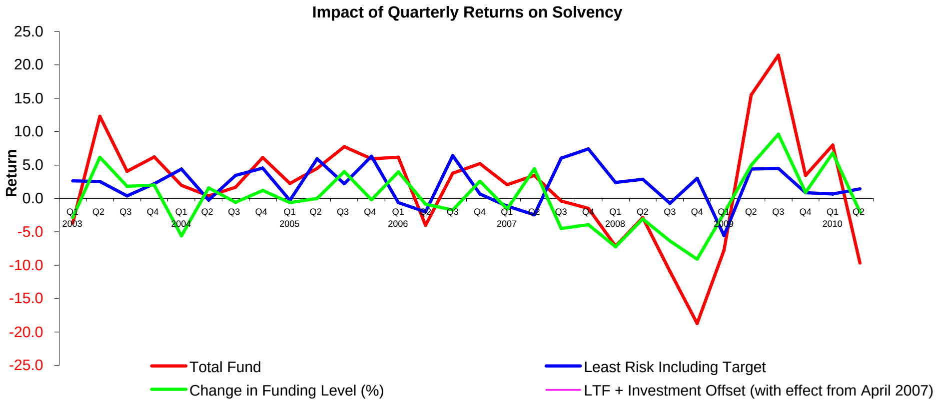
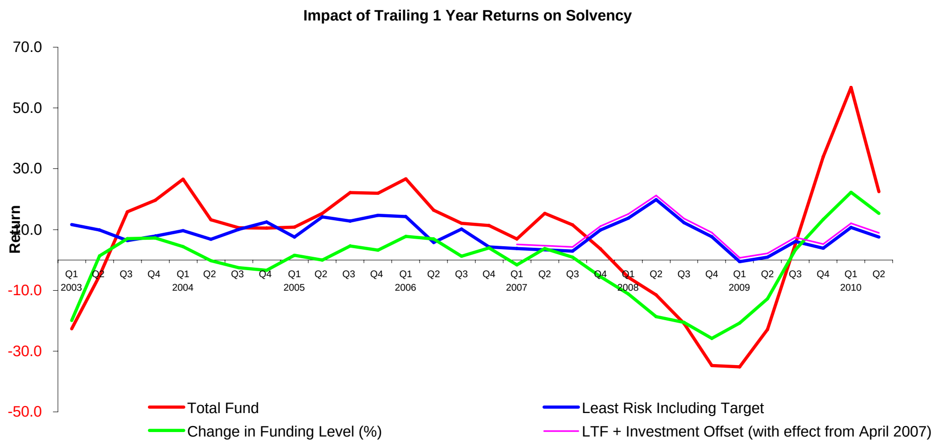
Appendix 3

## Comparison of Actual Performance vs the Least Risk Portfolio *

| Quarter/ Rolling Year | Total Fund Return | Total Fund Custom Benchmark | Relative +/- | Total Fund Return | 85% Index, 15% Fixed | Relative +/- |
|---|---|---|---|---|---|---|
| Q1 2002 | 2.60 | 2.10 | 0.50 | 2.60 | 0.40 | 2.20 |
| **Rolling 12 Months 2001/2002** | **-1.28** | **-1.71** | **0.43** | **-1.28** | **2.10** | **-3.38** |
| Q2 2002 | -8.40 | -7.70 | -0.70 | -8.40 | 3.90 | -12.30 |
| Q3 2002 | -14.80 | -14.40 | -0.40 | -14.80 | 3.30 | -18.10 |
| Q4 2002 | 2.90 | 4.50 | -1.60 | 2.90 | 0.40 | 2.50 |
| Q1 2003 | -3.68 | -3.83 | 0.15 | -3.68 | 2.30 | -5.98 |
| **Rolling 12 Months 2002/2003** | **-22.65** | **-20.60** | **-2.05** | **-22.65** | **10.24** | **-32.88** |
| Q2 2003 | 12.31 | 11.23 | 1.08 | 12.31 | 2.17 | 10.14 |
| Q3 2003 | 4.09 | 3.87 | 0.22 | 4.09 | 0.02 | 4.07 |
| Q4 2003 | 6.23 | 6.18 | 0.05 | 6.23 | 1.85 | 4.38 |
| Q1 2004 | 1.94 | 1.42 | 0.52 | 1.94 | 4.04 | -2.10 |
| **Rolling 12 Months 2003/2004** | **26.60** | **24.41** | **2.19** | **26.60** | **8.28** | **18.33** |
| Q2 2004 | 0.39 | 1.25 | -0.87 | 0.39 | -0.59 | 0.97 |
| Q3 2004 | 1.67 | 1.75 | -0.08 | 1.67 | 3.12 | -1.45 |
| Q4 2004 | 6.14 | 5.70 | 0.44 | 6.14 | 4.19 | 1.95 |
| Q1 2005 | 2.27 | 1.80 | 0.47 | 2.27 | -0.64 | 2.91 |
| **Rolling 12 Months 2004/2005** | **10.79** | **10.85** | **-0.07** | **10.79** | **6.12** | **4.67** |
| Q2 2005 | 4.48 | 5.03 | -0.55 | 4.48 | 5.60 | -1.12 |
| Q3 2005 | 7.74 | 7.24 | 0.50 | 7.74 | 1.85 | 5.89 |
| Q4 2005 | 5.96 | 5.75 | 0.21 | 5.96 | 5.98 | -0.02 |
| Q1 2006 | 6.19 | 5.37 | 0.82 | 6.19 | -0.97 | 7.16 |
| **Rolling 12 Months 2005/2006** | **26.67** | **25.52** | **1.15** | **26.67** | **12.88** | **13.79** |
| Q2 2006 | -4.03 | -3.57 | -0.46 | -4.03 | -2.35 | -1.68 |
| Q3 2006 | 3.78 | 4.16 | -0.38 | 3.78 | 6.09 | -2.31 |
| Q4 2006 | 5.23 | 4.72 | 0.51 | 5.23 | 0.31 | 4.92 |
| Q1 2007 | 2.04 | 2.13 | -0.09 | 2.04 | -1.50 | 3.54 |
| **Rolling 12 Months 2006/2007** | **3.62** | **5.53** | **-1.91** | **3.62** | **8.41** | **-4.79** |
| Q2 2007 | 3.46 | 1.78 | 1.68 | 3.46 | -2.77 | 6.24 |
| Q3 2007 | -0.36 | 0.84 | -1.20 | -0.36 | 5.69 | -6.05 |
| Q4 2007 | -1.49 | 0.68 | -2.17 | -1.49 | 7.10 | -8.59 |
| Q1 2008 | -7.15 | -5.49 | -1.66 | -7.15 | 2.06 | -9.20 |
| **Rolling 12 Months 2007/2008** | -5.71 | -2.34 | -3.37 | -5.71 | 12.32 | -18.03 |
| Q2 2008 | -2.88 | -2.75 | -0.13 | -2.88 | 2.51 | -5.39 |
| Q3 2008 | -10.93 | -5.42 | -5.51 | -10.93 | -1.07 | -9.86 |
| Q4 2008 | -18.71 | -5.22 | -13.49 | -18.71 | 2.69 | -21.40 |
| Q1 2009 | -7.74 | -6.81 | -0.93 | -7.74 | -5.91 | -1.83 |
| **Rolling 12 Months 2008/2009** | **-35.12** | **-2.02** | **-18.75** | -35.12 | -2.02 | -33.11 |
| Q2 2009 | 15.54 | 9.64 | 5.90 | 15.54 | 4.04 | 11.49 |
| Q3 2009 | 21.46 | 18.84 | 2.61 | 21.46 | 4.14 | 17.32 |
| Q4 2009 | 3.44 | 2.74 | 0.70 | 3.44 | 0.51 | 2.93 |
| Q1 2010 | 7.98 | 7.20 | 0.78 | 7.98 | 0.33 | 7.65 |
| **Rolling 12 Months 2009/2010** | 56.74 | 41.12 | 15.62 | 56.74 | 9.26 | 47.48 |
| Q2 2010 | -9.69 | -7.32 | -2.37 | -9.69 | 1.07 | -10.76 |
| **3 Year Annualised Return** | **-5.76** | **0.63** | **-6.39** | **-5.76** | **7.72** | **-13.48** |

* As a proxy for such a portfolio the performance of the Fund is compared above, from 1 April 2001, with an Index comprising 85% Index Linked Gilt (over 15 years Total Return) and 15% Fixed Interest Gilts (over 15 years).



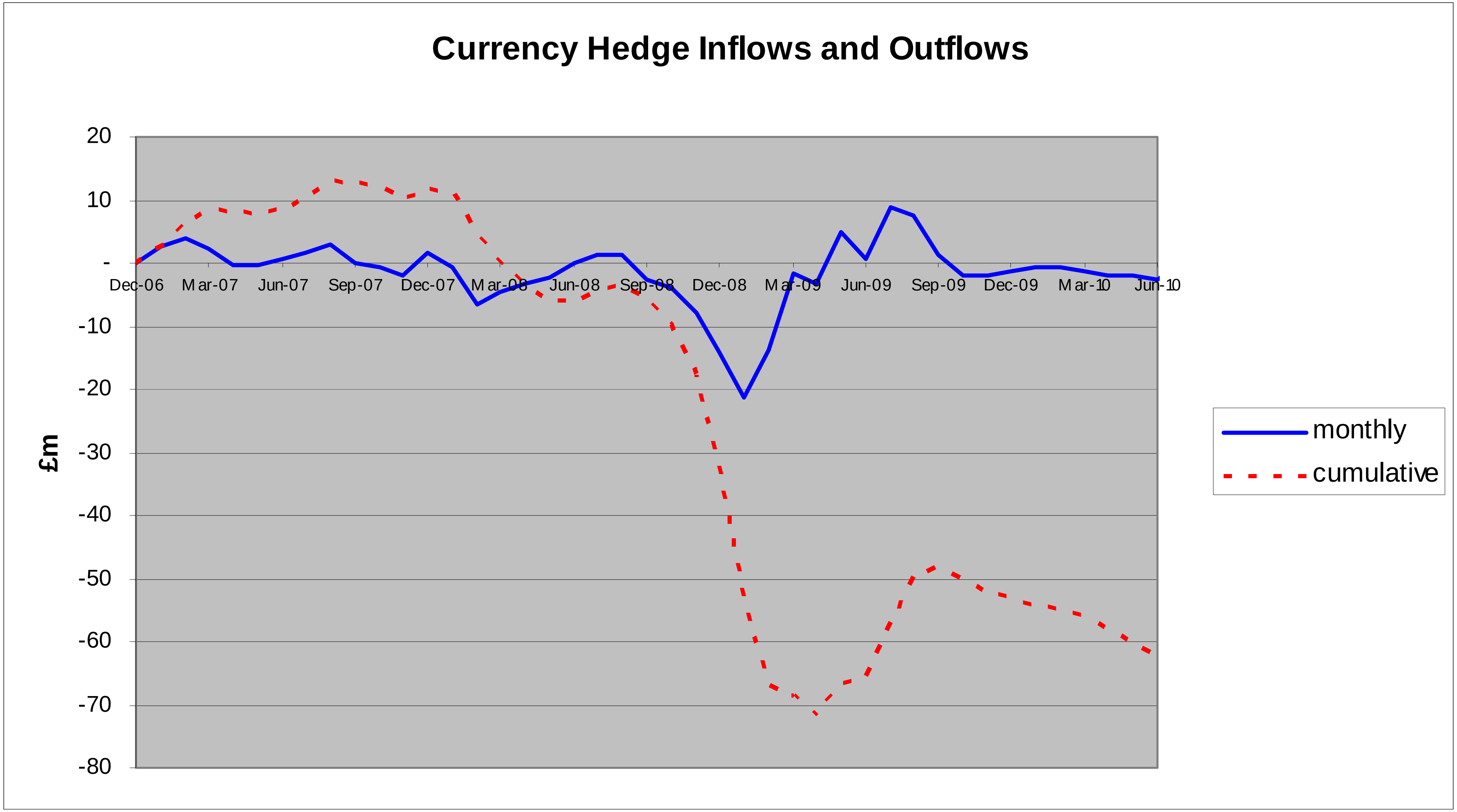




**Quarter Returns**

| | Least Risk BM | Least Risk Including Target | LTF + Investment Offset | Relative | Total Fund |
|---|---|---|---|---|---|
| Q1 2005 | -0.64 | -0.29 | | 2.56 | 2.27 |
| Q2 | 5.60 | 5.95 | | -1.47 | 4.48 |
| Q3 | 1.85 | 2.20 | | 5.54 | 7.74 |
| Q4 | 5.98 | 6.33 | | -0.37 | 5.96 |
| Q1 2006 | -0.97 | -0.62 | | 6.81 | 6.19 |
| Q2 | -2.35 | -2.00 | | -2.03 | -4.03 |
| Q3 | 6.09 | 6.44 | | -2.66 | 3.78 |
| Q4 | 0.31 | 0.66 | | 4.57 | 5.23 |
| Q1 2007 | -1.50 | -1.15 | | 3.19 | 2.04 |
| Q2 | -2.77 | -2.42 | -2.09 | 5.89 | 3.46 |
| Q3 | 5.69 | 6.04 | 6.37 | -6.40 | -0.36 |
| Q4 | 7.10 | 7.44 | 7.78 | -8.94 | -1.49 |
| Q1 2008 | 2.06 | 2.41 | 2.74 | -9.55 | -7.15 |
| Q2 | 2.51 | 2.86 | 3.19 | -5.74 | -2.88 |
| Q3 | -1.07 | -0.72 | -0.39 | -10.21 | -10.93 |
| Q4 | 2.69 | 3.04 | 3.37 | -21.75 | -18.71 |
| Q1 2009 | -5.91 | -5.56 | -5.23 | -2.18 | -7.74 |
| Q2 | 4.04 | 4.39 | 4.72 | 11.14 | 15.54 |
| Q3 | 4.14 | 4.49 | 4.82 | 16.97 | 21.46 |
| Q4 | 0.51 | 0.86 | 1.19 | 2.58 | 3.44 |
| Q1 2010 | 0.33 | 0.68 | 1.01 | 7.30 | 7.98 |
| Q2 | 1.07 | 1.42 | 1.75 | -11.11 | -9.69 |

**Trailing 1 Year Returns**

| | Least Risk BM | Least Risk Including Target | LTF + Investment Offset | Relative | Total Fund |
|---|---|---|---|---|---|
| Q1 2005 | 6.12 | 7.52 | | 3.27 | 10.79 |
| Q2 | 12.72 | 14.12 | | 1.18 | 15.30 |
| Q3 | 11.34 | 12.74 | | 9.45 | 22.19 |
| Q4 | 13.25 | 14.65 | | 7.33 | 21.98 |
| Q1 2006 | 12.88 | 14.28 | | 12.39 | 26.67 |
| Q2 | 4.38 | 5.78 | | 10.57 | 16.35 |
| Q3 | 8.73 | 10.13 | | 1.94 | 12.07 |
| Q4 | 2.91 | 4.31 | | 6.98 | 11.30 |
| Q1 2007 | 2.37 | 3.77 | | 3.18 | 6.94 |
| Q2 | 1.92 | 3.32 | 4.67 | 11.97 | 15.29 |
| Q3 | 1.54 | 2.94 | 4.29 | 8.62 | 11.56 |
| Q4 | 8.41 | 9.81 | 11.16 | -6.19 | 3.62 |
| Q1 2008 | 12.32 | 13.72 | 15.07 | -19.43 | -5.71 |
| Q2 | 18.42 | 19.82 | 21.17 | -31.31 | -11.49 |
| Q3 | 10.84 | 12.24 | 13.59 | -33.12 | -20.88 |
| Q4 | 6.28 | 7.68 | 9.03 | -42.39 | -34.71 |
| Q1 2009 | -2.02 | -0.62 | 0.73 | -34.51 | -35.12 |
| Q2 | -0.55 | 0.85 | 2.20 | -23.67 | -22.82 |
| Q3 | 4.69 | 6.09 | 7.44 | -0.85 | 5.24 |
| Q4 | 2.47 | 3.87 | 5.22 | 30.04 | 33.91 |
| Q1 2010 | 9.26 | 10.66 | 12.01 | 46.08 | 56.74 |
| Q2 | 6.14 | 7.54 | 8.89 | 14.97 | 22.52 |



Currency Hedge Inflows and Outflows
20
10
-
-10
-20
-30
-40
-50
-60
-70
-80
£m
Dec-06
Mar-07
Jun-07
Sep-07
Dec-07
Mar-08
Jun-08
Sep-08
Dec-08
Mar-09
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
monthly
cumulative


Appendix 6

## REBALANCING OF NYPF ASSETS AS AT 30 JUNE 2010

| Asset Class | Benchmark Proportion | Mandate Type |
|---|---|---|
| Equity + Cash | 77% | Global Equity |
| Fixed Income | 23% | Global Fixed Income |

| After Rebalancing | | |
|---|---|---|
| Equity | 76.5% | 925.90 |
| Bonds | 23.6% | 286.07 |
| Cash | -0.1% | -1.72 |
| | 100.0% | 1210.25 |

| | | 30-Jun-10 Value £m | actual % | Target +/- Rebalancing £m | Target Assets £m | Target Allocation % | 3% Tolerance Min % | Min £m | Max % | Max £m | 3% Tolerance Under | Over | Actual Transfers | Post Transfer Values | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Global Equity Managers** | | | | | | | | | | | | | | | |
| Baillie Gifford Global Alpha | | 200.94 | 16.6% | -14.6 | 186.4 | 15.4% | 14.9% | 180.79 | 15.9% | 191.97 | 0.00 | -8.97 | 0.00 | 200.94 | 16.6% |
| Baillie Gifford Global Growth | | 124.92 | 10.3% | -7.2 | 117.7 | 9.7% | 9.4% | 114.18 | 10.0% | 121.24 | 0.00 | -3.68 | 0.00 | 124.92 | 10.3% |
| | (a) | 325.86 | 26.9% | -21.8 | 304.1 | 25.1% | | 294.97 | | 313.21 | | | 0.00 | 325.86 | 26.9% |
| **Global (ex UK) Equity Managers** | | | | | | | | | | | | | | | |
| Fidelity | | 291.95 | 24.1% | 12.1 | 304.1 | 25.1% | | | | | | | 9.00 | 300.95 | |
| | (b) | 291.95 | 24.1% | 12.1 | 304.1 | 25.1% | 24.4% | 294.97 | 25.9% | 313.21 | 3.02 | 0.00 | 9.00 | 300.95 | 24.9% |
| **UK Equity Managers** | | | | | | | | | | | | | | | |
| Standard Life | | 289.58 | 23.9% | 32.6 | 322.2 | 26.6% | | | | | | | 8.00 | 297.58 | |
| Yorkshire Forward | | 1.51 | 0.1% | 0.0 | 1.5 | 0.1% | | | | | | | | 1.51 | |
| | (c) | 291.09 | 24.1% | 32.6 | 323.7 | 26.7% | 25.9% | 314.00 | 27.5% | 333.42 | 22.91 | 0.00 | 8.00 | 299.09 | 24.7% |
| **Equity sub-total** | (a+b+c)=(d ) | 908.90 | 75.1% | 23.0 | 931.9 | **77.0%** | 74.7% | 903.94 | 79.3% | 959.85 | 0.00 | 0.00 | 17.00 | 925.90 | 76.5% |
| **Global Fixed Income Managers** | | | | | | | | | | | | | | | |
| ECM | | 104.10 | 8.6% | | 104.1 | | | | | | | | 0.00 | 104.10 | |
| CAAM | | 181.97 | 15.0% | 0.0 | 174.3 | | | | | | | | 0.00 | 181.97 | |
| **Fixed Income sub-total** | (e) | 286.07 | 23.6% | -7.7 | 278.4 | **23.0%** | 22.3% | 270.01 | 23.7% | 286.71 | 0.00 | 0.00 | 0.00 | 286.07 | 23.6% |
| **Cash** | | | | | | | | | | | | | | | |
| Internal Cash | | 13.50 | | -13.5 | - | | | | | | | | -17.00 | -3.50 | |
| Currency Hedge Cash | | 1.78 | | -1.8 | - | | | | | | | | 0.00 | 1.78 | |
| **Cash sub-total** | (f) | 15.28 | 1.3% | -15.3 | - | 0.0% | 0.0% | 0.00 | 0.0% | 0.00 | 0.00 | -15.28 | -17.00 | -1.72 | -0.1% |
| | (d+e+f)=(g) | **1210.25** | **100.0%** | **0.0** | **1210.25** | **100.0%** | | | | | | | | | |
| RC Brown | (h) | 1.88 | | | | | | | | | | | | | |
| Total Fund Value | (g+h)=(i) | 1212.13 | | | | | | | | | | | | | |

Rebalancing took place in August 2010 following the repayment of money used to fund the ECM in-specie transfer. July cash flows and relative movements in asset values meant that £17m was transferred to two equity managers rather than Standard Life being the sole recipient of available funds.

1212.13

APPENDIX 7